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# **Korea, Republic of**

## **Organic Products**

### **Market Update**

### **2002**

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#### **Report Highlights:**

**The Korean market for organic products is expected to grow dramatically in the next five years. U.S. exporters have a unique opportunity to educate buyers especially about U.S. processed organic products and to develop relationships which can grow into long-term sales.**

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Includes PSD changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Seoul ATO [KS2], KS

## **SECTION I. SUMMARY**

The Korean market for organic products, although difficult to quantify, is still very small. In 2001, locally grown organic produce (fruits, vegetables, and rice) accounted for only 0.2 percent of total agricultural production. However, judging from the amount of space retail outlets are devoting to organic produce, the demand for these products is growing. In response, the Korean Ministry of Agriculture (MAF) has developed a labelling program which indicates whether a product is organic, contains low or no agricultural chemicals. The labelling programs has only increased consumer awareness about the heavy use of agricultural chemicals here.

At present, imports of organic products consists mainly of ingredients for baby foods, infant formulas and some health foods. However, many Korean importers expect the market for processed organic foods to grow dramatically in the next few years. Currently, there is only one organic products company in Korea that sells exclusively organic products including imported processed products. This company operates six retail outlets in Seoul and does a robust internet business. In addition, many high-end department stores feature an organics corner. (In Korea, department stores also include a grocery store.) Food buyers for these stores are very interested in expanding their organic sections, but often they seem unaware of what types of organic products are available.

Competition from the European Union is very strong. Despite the fact that Korea is the fourth largest market for U.S. agricultural products in general, U.S. exporters of organic products are having difficulty focusing on this market. In addition, Korean regulations are not clear and at times various customs agents interpret them differently.

<b><i>ADVANTAGES</i></b>	<b><i>CHALLENGES</i></b>
Local production of processed organic products is negligible.	Competition from other exporters is increasing.
U.S. organic regulations are more stringent than Korean regulations.	Korean labelling requirements are not the same as U.S. labelling requirements.
Consumers are increasingly aware of organic products and the demand for them is growing.	Korean importers & retailers have very little knowledge about imported processed organic products.
Tariffs for processed products are quite low.	Customs clearance procedures are not clear.
U.S. organic products are well-accepted by Korean consumers.	U.S. exporters of organic products are unwilling to make the effort to break into this new market.

## **SECTION II. REGULATIONS AND POLICIES**

### ***A. Certification Requirements for Processed Organic Foods***

Certification requirements of processed foods are set by the Korean Food and Drug Administration (KFDA). The following certificates are required for imports of processed organic foods from the United States:

- A copy of the certificate issued for the plant or farm certified by an Agricultural Marketing Service (AMS) accredited certifying organization
- A copy of the opening page of the AMS website and subsequent pages leading to (and including ) the list of all accredited certifying organizations recognized by USDA; website address is: [www.ams.usda.gov/nop/Accreditation/ListofAccreditedCertifyingAgents.html](http://www.ams.usda.gov/nop/Accreditation/ListofAccreditedCertifyingAgents.html)
- An "original transaction certificate" issued by a U.S. government accredited certifying organization that certifies that the specific shipment lot is organic, with information on the lot number, volume, etc.

Although the current certification requirements seem clear, the manner in which they are applied is inconsistent. At times, customs agents have required an original farm or plant certificate. However, MAF has stated that is not required. In addition, an original transaction certificate must be included for each and every shipment. These issues have been raised at high-level bilateral trade negotiations by the U.S. Trade Representative. To date, no tangible results have been achieved.

### ***B. Labeling Requirements for Processed Organic Foods***

Labeling requirements for processed foods are determined by KFDA. The following labels may be used depending on the percentage of organic ingredient contained in the product:

- If all ingredients are organic, then "100% organic agricultural product" labels may be used.
- If more than 95% of the ingredients contained in the finished product are organic, then the term "organic" may be used as a part of the product name and stated on the main labeling panel of the container and package; and the name, seal and logo of the organization that has certified the organic agricultural products used in the product as well as other certification information may be stated. In this case, the contents of the organic agricultural products shall be stated in percentage in the labeling section for raw material names.
- If more than 50%, but less than 95 % of the ingredients contained in the finished product are organic, then the term "organic" may be stated on the labeling surface of the container and/or package other than on the main labeling panel. In this case, the contents of the organic agricultural products shall be stated in percentage in the labeling section for raw material names.
- If less than 50% of the ingredients are organic, then the term "organic" may be used only in the labeling section for raw material names. In this case, the contents of the organic

agricultural products shall be stated in percentage in the labeling section for raw material names.

### ***C. Labeling Requirements for Fresh Produce***

Labeling requirements for fresh produce are set by the Ministry of Agriculture and Forestry (MAF). The following labels are used depending on the amount of chemicals and fertilizer used and the number of years the product is cultivated without chemicals or fertilizers:

- Produce cultivated with no agricultural chemicals and no chemical fertilizer for three years are labeled with a (green label) as "organic products."
- Produce cultivated with no agricultural chemicals and no chemical fertilizer for one year are considered to be in a transitional period and they are labeled with a (light green label) as "Transitional Organic Agricultural Products."
- Produce cultivated with no agricultural chemicals, but only with chemical fertilizer may be used within the amount allowed by law are labeled with a (blue label) as containing "No Agricultural Chemicals."
- And produce cultivated with half the amount of less allowable by law of agricultural chemicals are labeled with a (orange label) as "Low Agricultural Chemicals."

## ***SECTION III. CONSUMPTION AND MARKET SECTORS***

### ***A. Consumption***

According to a recent survey<sup>1</sup>, 55 percent Korean consumers are purchasing organic products because they are concerned with their health. Korean consumers are very interested in eating foods which have potentially healthful benefits or medicinal qualities.

Generally, the 30 to 50-year old generation, mostly women shop for their families. It is exactly this segment most interested in purchasing organic foods. This group has gained some knowledge of organic foods through their purchases of baby food or infant formula. As incomes and product awareness rises, the demand for more processed organic products is growing. Korean eating habits are also becoming more Westernized reflected in the increased consumption of bread, meat and fruits.

"Koreans' interest in health is extremely high, said Mr. Sohn Sang-mok, a professor at Dankook University, "especially in organic food. Korea has become a leader in organic food research. Even Japan doesn't have an organic food major in its colleges."

A survey on organic consumption habits, also states that 23 percent of consumer purchase organic foods because they taste better or are more nutritious, and only 12 percent stated that they

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<sup>1</sup> Dr. YOON, JY, Editor of Korea Farmer&Fisherman Newspaper, His Doctoral thesis- Production, Consumption Structure and Trust Consideration of Environment Friendly Agriculture Products, June 2002

are concerned about the environment. This is contrary to the U.S. where many consumers were driven to purchase organic foods because of their concern for the environment.

## ***B. Market Sectors***

### ***1. Retail Foods***

#### *Entry Strategy*

New-to-market exporters will first want to create product awareness by presenting their product in a food show or dealing directly with importers. The Agricultural Trade Office (ATO) in Seoul, Korea maintains a list future trade show dates and possible importers. At this time, we recommend focusing on high-end department stores that have already set up organic sections. Consumers at these stores are usually willing to pay a higher price for a quality product, however, none of these stores are currently importing processed organic products. In addition, there are a number of organic food stores located in the huge residential apartment complexes common in Seoul that sell only organic products.

Outlets, such as discount stores, which are increasing in Seoul, do not seem interested in organic product lines. These outlets tend to offer lower-priced food items. However, many of these stores, such as Costco or Walmart, have at least half of their stocked items ordered by their headquarters in the U.S.

#### *Market Summary*

Specific information on the size of the retail market for organic products is not available, but we estimate the market to be worth about \$20 million.

#### *Company Profiles*

For specific information about profiles of companies selling retail organic products, please contact ATO Seoul.

#### *Sector Trends*

Currently, the types of organic products available are either fresh produce, rice or products made with organic ingredients, such as baby food, bread, or flour. Imported organic products available include breakfast cereal. Products that are likely to "catch on" include organic juices, snack foods, and meat.

### ***2. Food Ingredients***

#### *Entry Strategy*

The market for organic food ingredients is likely saturated for the products being produced in Korea.

#### *Market Summary*

Locally, organic baby food only first appeared in the Korean market in February 2002. Four major local dairy companies are currently manufacturing organic baby food. The size of the

market is estimated at \$67 million per year and represents a 20% market share of the total baby food market. The organic baby food price is double the regular one. Ingredients of organic baby food are typically composed of rice (30%), dairy products, grains and fruits & vegetables (70%). Only the organic rice is supplied by the local market, the other organic ingredients are imported from EU or U.S. Manufacturing companies have stated to us that it is easier importing organic ingredients from the EU because U.S. suppliers are difficult to find.

#### Company Profiles

For specific information about manufacturers using organic ingredients, please contact ATO Seoul.

#### Sector Trends

Young mothers are willing to pay more for baby foods especially if they feel the brand is trustworthier. The market for these products is very competitive in terms of both quality and price.

### **3. Food Service Products**

#### Entry Strategy

There was only one food service outlet for prepared organic products and that was a small cafeteria located in one of the ORGA stores as trial basis. However, it was decided that the time was right right for a food service outlet of this type yet and it was closed. There is one local Italian restaurant that serves organic salad as one of their menu items. This restaurant operates very close to the ORGA Headquarters.

## **SECTION IV. PRODUCTION AND PROMOTION**

### **A. Production**

In 2001, local production of Environment Friendly Agriculture (EFA) accounted for only 0.2 percent of total agricultural production. (These are the products labeled with the colored labels mentioned in the regulations section.) The majority of this production is for fresh fruits, vegetables, and rice. In 1999, EFA production was 168,000 tons; the figure rose to 192,000 tons a year later and in 2001, grew another 30 percent. MAF has said that all production is sold, but prices are stable, indicating that supply and demand are in balance.

The government expects production of organic produce to rise to a half-percent of all agricultural production by 2005 and rise to 2 percent by 2010. In 2001, the Korean government set up a 5-year plan to increase EFA production by 5 percent annually and decrease the use of agricultural chemicals by 30 percent by 2005. Unless a farm is participating in the EFA program, there are no restrictions on the amount of agricultural chemicals which can be used. Farmers are motivated to use increasing amounts of chemicals as it improves yields.

### **B. Promotion**

If Korea is exporting organic produce, it is probably a very small amount and may only be fruit and/or vegetables to Japan.

### ***SECTION V. PROMOTIONAL ACTIVITIES***

- Organic seminar (January 24, 2003, Seoul, Korea): ATO Seoul will host an information seminar aimed at educating Korean importers concerning the new U.S. organic regulations and opportunities for organic products.
- Natural Products Expo West (March 6-9, 2003, Anaheim, California): In conjunction with WUSATA, ATO Seoul will organize a group of Korean importers interested in learning more about what types of processed organic products are available. The group will also visit individual companies in California.
- Food and Hotel Korea 2003 (March 18-20, 2003): Booths are available for companies interested in displaying their products. Currently, Food & Hotel Korea is the only food show that has gotten endorsement from FAS/ USDA in Korea. The Mid-America International Agri-Trade Council (MIATCO) is sponsoring an organic pavilion for U.S. companies from the mid-west and the northeast.
- Missouri and Minnesota Buying Mission (Spring 2003): MIATCO will sponsor a group of two or three Korean buyers to travel to their region in order to make one-on-one contacts with organic exporters.

### ***SECTION VI. POST CONTACTS AND FURTHER INFORMATION***

For more information or assistance, please contact:

U.S. Agricultural Trade Office  
Tel: (011 82-2) 397-4211/4188  
Fax: (011 82-2) 720-7921  
E-mail: [ATOSeoul@fas.usda.gov](mailto:ATOSeoul@fas.usda.gov)  
Website: [www.atoseoul.com](http://www.atoseoul.com)

Local Mailing Address:  
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#303, Leema Building  
146-1, Susong-dong, Chongro-ku  
Seoul 110-140, Korea

APO Address for mail from the U.S.  
U.S. Embassy Seoul

Unit 15550 - ATO  
APO, AP 96205-5550

Additional information on organic products and a monthly organic newsletter can be found at the Foreign Agriculture Services' Horticultural and Tropical Products Division homepage (<http://www.gas.usda.gov/http/organics/organics.html>). General information about the Foreign Agricultural Service can also be found at <http://www.fas.usda.gov>.

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